

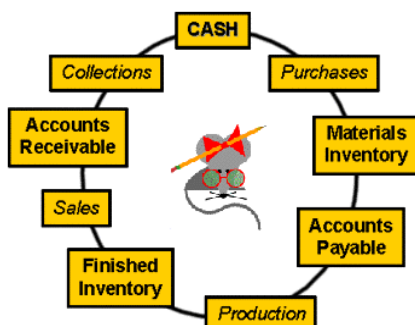
## Cash Flow / Cash Management

Cash may not make the world go 'round... but it is an essential ingredient to making your business dreams a reality!

The cash or operating cycle represents the process of turning your cash into products and services which are sold and then turned back into cash (hopefully more than when you started). It should be obvious that purchasing inventory or paying salaries is a use of cash, but what about accounts receivable? Of course, when you collect from your customers, you will receive cash, so a decrease in accounts receivable is a source of cash.

The opposite is true when you increase accounts receivable; it is a decrease in cash. You are providing trade credit to your customers. Although you don't actually hand them cash, you are indirectly providing them with funds to purchase products or services from you.

Growing businesses really need to closely watch their inventory and receivables so they don't find themselves in a cash crunch at a time when business is booming. Otherwise, the cash cycle might have to come to a screeching halt.



# BREAK

## Business Resource, Education, and Knowledge

### Techniques for Improving Cash Flow

There are many techniques available for helping you to improve your cash flow.

Some of these techniques are:

- Sell for cash or credit card rather than on terms if your industry practices permit.
- If you do sell on terms, establish good credit policies.
- Bill promptly and before customer check-writing cut-off.
- Add late charges and fees when possible.
- Pay bills only on due date, unless there is a discount for early payment.
- Regulate payments to your suppliers to your advantage.
- Reduce your inventory to the most necessary items.
- Dump slow moving items at cost.
- Purchase equipment, supplies, and inventory wisely.
- Consider prudent borrowing.
- Increase sales / increase prices.



### Webibles

**L**earn more about effective Cash Flow and Cash Flow Management using SBA online resources:

### THE IMPORTANCE OF CASH MANAGEMENT

Catherine's business is growing and she's making a good profit. However, she never seems to have enough money to pay her bills. This month she had to pay the business insurance premium with her credit card. What is wrong with this picture?

<http://www.onlinewbc.gov/DOCS/Finance/cash.html>



## BREAKFAQS with SBA

**T**his section provides answers to commonly asked questions related to cash flow and cash management.

### Q: What Is Cash Flow?

**A:** Cash flow simply refers to the flow of cash into and out of a business over a period of time. Watching the cash inflows and outflows is one of the major management tasks of an owner. The outflow of cash is measured by those checks you will write every month to pay salaries, suppliers, and creditors. The inflows are cash you receive from customers, lenders, and investors.

### Q: How Do I Practice Good Cash Management?

**A:** Good cash management is simple. It means:

1. Knowing when, where, and how your cash needs will occur,
2. Knowing what the best sources are for meeting additional cash needs; and,
3. Being prepared to meet these needs when they occur, by keeping good relationships with bankers and other creditors.



## Questions



**S**end questions on the upcoming topics to Attn: BREAK

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429 N. Pennsylvania Street, Suite 100  
Indianapolis, Indiana 46204-1873

**Fax:** (317) 226-7259 **TTD:** (317) 226-5338

## SBA Headline News



### **SMALL BUSINESS WEEK 2001 STATE WINNER**

Joseph A. Beckman, Owner  
Home Lumber Co. & Glenlord  
Lumber Company  
1900 Hart Street  
Dyer, IN 46311  
219/865-3310  
Fax: 219/865-5600  
Retail lumber



**July 26: WASHINGTON -  
FULL SENATE CONFIRMS HECTOR  
BARRETO JR. AS NEW  
ADMINISTRATOR OF SBA**



### **SBA Recipe for Success at Local Eatery**

As owner of Lord Ashley's Pub & Eatery, Tim Kerlin knows that providing quality products and service are main ingredients in a successful business. Because of this, Tim's venture has received frequent recognition for its food and service. The eatery's pizza was recently named the "best in Warren Township," and Lord Ashley's famous tenderloin sandwich has been profiled on FOX59's morning show....continued at <http://www.sba.gov/in/indonews.html>



### **SBA Program not a "drag" for Superstar**

Drag Racing superstar Don "The Snake" Prudhomme is used to making history. Prudhomme set numerous records during his 30 seasons behind the wheel. The first driver to win four consecutive Winston series titles, he was also the first funny car driver to break the 250 mph mark; the first to post an elapsed time under 5.20 seconds (5.193); the first driver to win seven of eight national events during a season (1976);.....continued at <http://www.sba.gov/in/indonews.html>

## When, What, Where?

Visit the Indiana District Office calendar at <http://www.sba.gov/in/> for information on upcoming events, seminars and workshops.

## Upcoming Topics

**Business Certifications  
Pricing  
Survival**

**Take a BREAK and visit us online!**

<http://www.sba.gov/in/>

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## BREAK with SBA Counseling & Training Resources

### SCORE

A nonprofit association dedicated to encouraging the formation, growth, and success of small business nationwide through counseling and mentor programs.

#### Indiana locations:

Indianapolis	(317) 226-7264
Fort Wayne	(219) 422-2601
South Bend	(219) 282-4350
Evansville	(812) 421-5879
Gary	(219) 882-3918
Columbus	(812) 379-4457
Anderson	(317) 642-0264
New Albany	(812) 944-9678
Bloomington	(812) 339-8937
Kokomo	(765) 457-5301
Marion	(317) 664-5107
Elkhart	(219) 293-1531
Logansport	(219) 753-6388

### Small Business Development Centers

The SBA, in conjunction with state government and local partners, administers the Small Business Development Center Program to provide management assistance to current and prospective small business owners.

#### Indiana locations:

Bloomington	(812) 339-8937
Columbus	(812) 372-6480
Muncie	(765) 284-8144
Lafayette	(765) 742-2394
Terre Haute	(812) 237-7676
Kokomo	(765) 457-7922
Fort Wayne	(219) 426-0040
Portage	(219) 762-1696
Richmond	(765) 962-2887
South Bend	(219) 282-4350
New Albany	(812) 945-0266
Madison	(812) 265-3127
Evansville	(812) 425-7232

### Women's Business Center

Each women's business center provides assistance and/or training in finance, management, marketing, procurement and the Internet, as well as, addressing specialized topics such as home-based businesses, corporate executive downsizing and welfare-to-work.

#### Indiana location:

Fort Wayne	(219) 424-7977
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